

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 879 – SB 799

April 1, 2015

SUMMARY OF ORIGINAL BILL: Exempts compressed natural gas (CNG) from state sales tax.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact – \$136,700

Decrease Local Revenue – \$5,100

SUMMARY OF AMENDMENT (005768): Changes the effective date of the proposed state sales tax exemption, from July 1, 2015 to July 1, 2016.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue – Net Impact – \$136,700/FY16-17 and Subsequent Years

Decrease Local Revenue – \$5,100/FY16-17 and Subsequent Years

Assumptions for the bill as amended:

- Under current law, CNG is subject to the state sales tax in addition to the \$0.13 per gallon motor fuel tax. CNG is not subject to the local sales tax.
- The Department of Revenue (DOR) does not have data on the amount of state sales tax collected from the sale of CNG, so this fiscal note is based on the amount of motor fuel tax that is collected on CNG.
- Based on the July 2014 through February 2015 CNG motor fuel tax collections of \$117,822, it is estimated that FY15-16 motor fuel tax collections will be \$176,733 $[(\$117,822 / 8 \text{ months}) \times 12 \text{ months}]$. The number of CNG gallons sold is estimated to be 1,359,485 $(\$176,733 / \$0.13)$.
- Assuming the price of CNG, excluding federal and state excise taxes and other applicable taxes, to be \$1.49 per gallon, total taxable sales of CNG are estimated to be \$2,025,633 $(1,359,485 \times \$1.49)$.
- The current state sales tax rate is 7.0 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The net recurring decrease in state sales tax revenue, beginning in FY16-17, is estimated to be \$136,665 $[(\$2,025,633 \times 7.0\%) - (\$2,025,633 \times 7.0\% \times 3.617\%)]$.

- The recurring decrease in local sales tax revenue, beginning in FY16-17, is estimated to be \$5,129 ($\$2,025,633 \times 7.0\% \times 3.617\%$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, appearing to read "Jeffrey L. Spalding". The signature is fluid and cursive, with the first name "Jeffrey" and last name "Spalding" clearly distinguishable.

Jeffrey L. Spalding, Executive Director

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